

CITY OF OAKLAND

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2010

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Tim White	Mayor	January 2010
Debbie Rollins	Mayor Pro-Tem	January 2012
Terry Gleaves	Council Member	January 2010
Betsy Moniz	Council Member	January 2010
Pat Newberg	Council Member	January 2010
Joseph Wede	Council Member	January 2012
Marissa Lockwood	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Joe Lauterbach	City Attorney	Indefinite
(After January 2010)		
Michael O'Brien	Mayor	January 2014
Debbie Rollins	Mayor Pro-Tem	January 2012
Corey Hackett	Council Member	January 2014
Brant Miller	Council Member	January 2014
Pat Newberg	Council Member	January 2014
Joseph Wede	Council Member	January 2012
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 18, 2010

Independent Auditor's Report

Lonnie G. Muxfeldt
Certified Public
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Iowa
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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued . . .

Member of American Institute of Certified Public Accountants,
Iowa Society of CPA's and AICPA Private Companies Practice Section

August 18, 2010

Page Two

To the Honorable Mayor and
Members of the City Council:

In accordance with *Government Auditing Standards*, I have also issued my report dated August 18, 2010 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009, 2008 and 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Murphy & Associates, CPA, P.C.

CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

As management of the City of Oakland, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: The financial statement for governmental funds is the statement of cash receipts, disbursements and changes in cash balances. It is organized by funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Urban Renewal Tax Increment, 3) Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The cash balances of the City's governmental activities decreased 30% from June 30, 2009, decreasing from \$1.3 to \$0.9 million for a net change of \$404,663 for the year ended June 30, 2010. The majority of this decrease is due primarily to completion of the Eagle Veterans Monument and the Oakland Aquatic Center.

The following are the changes in the cash balances of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30, 2010		Year Ended June 30, 2009
Receipts:			
Program receipts:			
Charges for services	\$ 116,749	\$	96,884
Operating grants, contributions and restricted interest	228,757		305,893
Capital grants, contributions and restricted interest	221,890		243,258
General receipts:			
Property tax	275,271		206,896
Tax increment financing	27,316		218,833
Local option sales tax	153,346		174,825
Unrestricted investment earnings	18,220		43,728
Miscellaneous	4,195		3,600
Sale of property	10,000		-0-
Total receipts	<u>1,055,744</u>		<u>1,293,917</u>
Disbursements:			
Public safety	153,822		170,153
Public works	272,310		403,838
Culture and recreation	195,613		132,345
Community and economic development	42,930		4,114
General government	242,537		85,324
Debt service	141,791		118,748
Capital projects	424,254		5,848
Total disbursements	<u>1,473,257</u>		<u>920,370</u>
Change in cash basis net assets before transfers	(417,513)		373,547
Transfers, net	<u>12,850</u>		<u>(200,825)</u>
Change in cash basis net assets	(404,663)		172,722
Cash basis net assets, beginning of year	<u>1,346,292</u>		<u>1,173,570</u>
Cash basis net assets, end of year	\$ <u>941,629</u>	\$	<u>1,346,292</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cash basis of the net assets of the City's business type activities increased by \$14,277 for the year ended June 30, 2010. This 2% increase is primarily attributable to a commercial water rate increase in July 2009.

The following are the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities			
	Year Ended June 30,		Year Ended June 30,
	2010		2009
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$	635,066	\$ 546,394
Sewer		62,055	63,511
Sanitation		121,723	123,800
Operating grants, contributions and restricted interest		-0-	8,162
Capital grants, contributions And restricted interest		-0-	186,298
General receipts:			
Rental income		30,257	22,451
Total receipts		<u>849,101</u>	<u>950,616</u>
Disbursements:			
Water		640,200	864,550
Sewer		55,117	32,721
Sanitation		126,657	119,778
Total disbursements		<u>821,974</u>	<u>1,017,049</u>
Change in cash basis net assets before net financing sources		27,127	(66,433)
Loan proceeds		-0-	185,000
Transfers, net		(12,850)	200,825
Change in cash basis net assets		<u>14,277</u>	<u>319,392</u>
Cash basis net assets, beginning of year		<u>614,282</u>	<u>294,890</u>
Cash basis net assets, end of year	\$	<u>628,559</u>	\$ <u>614,282</u>

Analysis between actual and budget amounts: The City amended its budget on May 10, 2010. For the year ended June 30, 2010, budget over-expenditure occurred in the public works, culture and recreation, general government, debt service, and business-type functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2010, the City had \$441,888 in notes and other long-term debt compared to \$480,527 as of June 30, 2009, as shown below.

Outstanding Debt		
	Year Ended June 30, 2010	Year Ended June 30, 2009
General obligation notes	\$ 375,301	\$ 354,968
Revenue bonds	66,587	125,559
Total	\$ 441,888	\$ 480,527

The City financed an ambulance purchase with a local bank for \$150,259 in April 2010. Scheduled principal payments for the year ended June 30, 2010 were \$64,253. The City made additional principal payments of \$124,645 which should save the City considerable interest costs in future years.

Future financial statement impact: Major project of the City for fiscal year 2011 is the sanitary sewer improvements project.

Requests for information: Requests for additional information can be made to the Oakland City Clerk, Marissa Lockwood, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 153,822	\$ 80,856	\$ 53,365	\$ -0-
Public works	272,310	7,411	131,442	-0-
Cultures and recreation	195,613	24,278	42,550	5,000
Community and economic development	42,930	-0-	-0-	-0-
General government	242,537	4,204	1,400	141,567
Debt service	141,791	-0-	-0-	-0-
Capital projects	424,254	-0-	-0-	75,323
Total governmental activities	1,473,257	116,749	228,757	221,890
Business type activities:				
Water	640,200	635,066	-0-	-0-
Sewer	55,117	62,055	-0-	-0-
Sanitation	126,657	121,723	-0-	-0-
Total business type activities	821,974	818,844	-0-	-0-
Total	\$ 2,295,231	\$ 935,593	\$ 228,757	\$ 221,890

Property taxes levied for:
General purposes
Tax increment financing
Local option sales tax
Unrestricted investment earnings
Miscellaneous
Farm rent
Sale of assets
Transfers
Total general receipts

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash basis net assets

Expendable::

Streets

Urban renewal

Library

Capital projects

Water reserves

Unrestricted

Total cash basis net assets

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Assets</u>					
<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
<u>Activities</u>		<u>Activities</u>			
\$	(19,601)	\$	-0-	\$	(19,601)
	(133,457)		-0-		(133,457)
	(123,785)		-0-		(123,785)
	(42,930)		-0-		(42,930)
	(95,366)		-0-		(95,366)
	(141,791)		-0-		(141,791)
	(348,931)		-0-		(348,931)
	<u>(905,861)</u>		<u>-0-</u>		<u>(905,861)</u>
	-0-		(5,134)		(5,134)
	-0-		6,938		6,938
	-0-		(4,934)		(4,934)
	<u>-0-</u>		<u>(3,130)</u>		<u>(3,130)</u>
	(905,861)		(3,130)		(908,991)
	275,271		-0-		275,271
	27,316		-0-		27,316
	153,346		-0-		153,346
	18,220		-0-		18,220
	4,195		-0-		4,195
	-0-		30,257		30,257
	10,000		-0-		10,000
	12,850		(12,850)		-0-
	<u>501,198</u>		<u>17,407</u>		<u>518,605</u>
	(404,663)		14,277		(390,386)
	<u>1,346,292</u>		<u>614,282</u>		<u>1,960,574</u>
\$	<u>941,629</u>	\$	<u>628,559</u>	\$	<u>1,570,188</u>
\$	41,849	\$	-0-	\$	41,849
	234,161		-0-		234,161
	259,517		-0-		259,517
	(1,886)		-0-		(1,886)
	-0-		89,640		89,640
	407,988		538,919		946,907
\$	<u>941,629</u>	\$	<u>628,559</u>	\$	<u>1,570,188</u>

See notes to financial statements.

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 275,271	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	27,316
Other city tax	-0-	-0-	-0-
Licenses and permits	4,953	-0-	-0-
Use of money and property	26,020	-0-	-0-
Intergovernmental	106,736	138,853	-0-
Charges for services	67,207	-0-	-0-
Miscellaneous	28,556	-0-	596
Total receipts	<u>508,743</u>	<u>138,853</u>	<u>27,912</u>
Disbursements:			
Operating:			
Public safety	153,822	-0-	-0-
Public works	-0-	272,310	-0-
Culture and recreation	195,613	-0-	-0-
Community and economic development	-0-	-0-	42,930
General government	102,317	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>451,752</u>	<u>272,310</u>	<u>42,930</u>
Excess (deficiency) of receipts over (under) disbursements	56,991	(133,457)	(15,018)
Other financing sources (uses):			
Sale of assets	10,000	-0-	-0-
Operating transfers in	76,673	152,865	-0-
Operating transfers out	(305,136)	-0-	(59,632)
Total other financing sources (uses)	<u>(218,463)</u>	<u>152,865</u>	<u>(59,632)</u>
Net change in cash balances	(161,472)	19,408	(74,650)
Cash balances, beginning of year	<u>827,630</u>	<u>22,441</u>	<u>308,811</u>
Cash balances, end of eight months	\$ <u>666,158</u>	\$ <u>41,849</u>	\$ <u>234,161</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 406,641	\$ -0-	\$ -0-
Library	259,517	-0-	-0-
Special revenue funds	-0-	41,849	234,161
Capital projects	-0-	-0-	-0-
Total cash basis fund balances	\$ <u>666,158</u>	\$ <u>41,849</u>	\$ <u>234,161</u>

See notes to financial statements.

EXHIBIT B

Capital Projects Aquatic Center		Other Non-major Governmental Funds	Total
\$	-0-	\$ -0-	\$ 275,271
	-0-	-0-	27,316
	-0-	153,346	153,346
	-0-	-0-	4,953
4,948	-0-	-0-	30,968
-0-	150,220	-0-	395,809
-0-	-0-	-0-	67,207
57,000	4,722	-0-	90,874
61,948	308,288	-0-	1,045,744
	-0-	-0-	153,822
	-0-	-0-	272,310
	-0-	-0-	195,613
	-0-	-0-	42,930
-0-	140,220	-0-	242,537
-0-	141,791	-0-	141,791
365,982	58,272	-0-	424,254
365,982	340,283	-0-	1,473,257
(304,034)	(31,995)	-0-	(427,513)
-0-	-0-	-0-	10,000
153,770	147,656	-0-	530,964
-0-	(153,346)	-0-	(518,114)
153,770	(5,690)	-0-	22,850
(150,264)	(37,685)	-0-	(404,663)
150,264	37,146	-0-	1,346,292
\$ -0-	\$ (539)	\$	\$ 941,629
\$	-0-	\$ -0-	\$ 406,641
	-0-	-0-	259,517
	-0-	1,347	277,357
	-0-	(1,886)	(1,886)
\$ -0-	\$ (539)	\$	\$ 941,629

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Water	Sewer
Operating receipts:		
Charges for services	\$ 603,676	\$ 62,055
Miscellaneous	29,010	-0-
Total receipts	<u>632,686</u>	<u>62,055</u>
Operating disbursements:		
Business type activities	<u>573,910</u>	<u>55,117</u>
Total disbursements	<u>573,910</u>	<u>55,117</u>
Operating income	58,776	6,938
Non-operating receipts (disbursements):		
Farm rent	30,257	-0-
Meter deposits	2,380	-0-
Meter deposit refunds	(1,040)	-0-
Debt service	<u>(65,250)</u>	<u>-0-</u>
Total non-operating receipts (disbursements)	<u>(33,653)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	25,123	6,938
Other financing sources (uses):		
Operating transfer in	-0-	-0-
Operating transfer out	<u>(12,850)</u>	<u>-0-</u>
Net financing sources (uses)	<u>(12,850)</u>	<u>-0-</u>
Net change in cash balance	12,273	6,938
Cash balances, beginning of year	<u>442,860</u>	<u>128,412</u>
Cash balances, end of year	<u>\$ 455,133</u>	<u>\$ 135,350</u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ 48,000	\$ -0-
Reserve - repairs and replacement	41,640	-0-
Unreserved	<u>365,493</u>	<u>135,350</u>
Total cash basis fund balances	<u>\$ 455,133</u>	<u>\$ 135,350</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	121,723	\$	787,454
	-0-		29,010
	<u>121,723</u>		<u>816,464</u>
	126,657		755,684
	<u>126,657</u>		<u>755,684</u>
	(4,934)		60,780
	-0-		30,257
	-0-		2,380
	-0-		(1,040)
	-0-		<u>(65,250)</u>
	<u>-0-</u>		<u>(33,653)</u>
	(4,934)		27,127
	-0-		-0-
	-0-		<u>(12,850)</u>
	<u>-0-</u>		<u>(12,850)</u>
	(4,934)		14,277
	43,010		614,282
\$	<u>38,076</u>	\$	<u>628,559</u>
\$	-0-	\$	48,000
	-0-		41,640
	38,076		538,919
\$	<u>38,076</u>	\$	<u>628,559</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is used to account for the payment of construction projects such as the Aquatic Center.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

The City also reports the following additional proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

**CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2010, disbursements exceed amounts budgeted in the public works, culture and recreation, general government, debt service, and business-type functions.

(2) Cash and Pooled Investments

The City's deposits in bank at June 30, 2010, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$1,570,188 as of June 30, 2010.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(3) Notes Payable

Annual debt service requirements to maturity for the City's general obligation capital loan notes, urban renewal tax increment financing revenue notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Urban Renewal Tax Increment Financing Notes	
	Principal	Interest	Principal	Interest
2011	\$ 22,700	\$ 12,438	\$ 15,000	\$ 1,688
2012	23,487	11,439	15,000	848
2013	47,355	11,493	-0-	-0-
2014	26,181	9,295	-0-	-0-
2015	90,578	8,144	-0-	-0-
2016	9,000	4,050	-0-	-0-
2017	9,000	3,780	-0-	-0-
2018	9,000	3,510	-0-	-0-
2019	9,000	3,240	-0-	-0-
2020	10,000	2,970	-0-	-0-
2021	10,000	2,670	-0-	-0-
2022	10,000	2,370	-0-	-0-
2023	11,000	2,070	-0-	-0-
2024	11,000	1,740	-0-	-0-
2025	11,000	1,410	-0-	-0-
2026	12,000	1,080	-0-	-0-
2027	12,000	720	-0-	-0-
2028	12,000	360	-0-	-0-
Total	\$ 345,301	\$ 82,779	\$ 30,000	\$ 2,536

Year Ending June 30,	Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest
2011	\$ -0-	\$ -0-	\$ 37,700	\$ 14,126
2012	-0-	-0-	38,487	12,287
2013	-0-	-0-	47,355	11,493
2014	-0-	-0-	26,181	9,295
2015	26,587	1,329	117,165	9,473
2016	40,000	2,000	49,000	6,050
2017	-0-	-0-	9,000	3,780
2018	-0-	-0-	9,000	3,510
2019	-0-	-0-	9,000	3,240
2020	-0-	-0-	10,000	2,970
2021	-0-	-0-	10,000	2,670
2022	-0-	-0-	10,000	2,370
2023	-0-	-0-	11,000	2,070
2024	-0-	-0-	11,000	1,740
2025	-0-	-0-	11,000	1,410
2026	-0-	-0-	12,000	1,080
2027	-0-	-0-	12,000	720
2028	-0-	-0-	12,000	360
Total	\$ 66,587	\$ 3,329	\$ 441,888	\$ 88,644

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(3) Notes Payable (Continued)

Urban Renewal Tax Increment Financing Notes

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying a portion of the cost of street development and economic development in the urban renewal areas of the City. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing notes were expended only for purposes which were consistent with the plans of the City's urban renewal areas.

Rescue Vehicle Note

On September 19, 2007, the City financed the purchase of a rescue vehicle with a local bank. The \$174,470 five-year note bears interest at 4.95%, requires semi-annual principal and interest payments of \$11,203, and matures with a balloon payment of \$106,516 on September 19, 2012.

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

Ambulance Note

On April 19, 2010, the City financed the purchase of an ambulance with a local bank. The \$150,259 note bears interest at 4.95%, requires semi-annual principal and interest payments of \$11,473, and matures with a balloon payment of \$74,959 on March 19, 2015.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(3) Notes Payable (Continued)

Revenue Debt Resolutions

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the water funds.
- b) Sufficient monthly transfers shall be made to a water note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the water system.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute a 4.3% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$16,152, \$14,410, and \$13,472, respectively, equal to the required contributions for each year.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides a medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are \$374 for single coverage and \$935 for family coverage. For the year ended June 30, 2010, the City contributed \$37,952 and the plan members eligible for benefits contributed \$-0-.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2010, primarily relating to the Water Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2010</u>
Vacation	\$ 21,050
Sick leave	69,412
	<u>\$ 90,462</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(7) Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected monthly.

(8) Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2010.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

Transfer to	Transfer from	Amount
General fund	Special Revenue - Local Option	\$ 76,673
Special Revenue - Road Use	Special Revenue - Local Option	76,673
Special Revenue - Road Use	General Fund	76,192
Debt Service	Special Revenue - TIF	59,632
Debt Service	General Fund	69,309
Debt Service	Proprietary – Water	12,850
Capital Projects - Aquatic Center	General Fund	153,770
Capital Projects - Eagle Monument	General Fund	5,865
Total		\$ <u>530,964</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(10) Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. On March 11, 2010, the City extended the anniversary date from April 1 to July 1 for budget purposes. The City's additional contribution to the Pool for the year ended June 30, 2010 was \$11,301.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage of \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(10) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(11) Urban Renewal (Continued)

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

(12) Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(13) Commitments

Garbage Collection Service Agreement

The City signed an agreement on June 11, 2007 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2007 to June 30, 2012. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$5.00 and \$5.50 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$3.00 per yard per week for five years and \$1.00 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with American Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self-funding benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by American Administrators, Inc. on July 1, 2005, and each year thereafter on the same date. There was no change to the fees since 2005.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2010. The contract is payable in four quarterly installments of \$6,506.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(14) Grants

Grants - Fire Department

For the year ended June 30, 2010, the Oakland Volunteer Fire Department received a \$2,300 grant from Pottawattamie County.

Grants - Library

For the year ended June 30, 2010, the Eckles Memorial Library received a \$500 grant from the Pottawattamie County Community Foundation and \$4,000 grant from the Iowa West Foundation.

Eagle Veterans Monument

In 2007, the City was awarded a \$25,000 grant from the Pottawattamie County Board of Supervisors for the erection of a veterans monument. For the years ended June 30, 2009 and 2010, the City received \$15,000 and \$10,000, respectively.

Chautauqua Park Grant

In July 2009, the City was awarded a \$5,000 grant from the Iowa West Foundation for parking lot improvements and a storage shed in Chautauqua Park. The grant expired June 30, 2010.

FEMA Grants

For the year ended June 30, 2010, the City received a \$1,550 grant from the Federal Emergency Management Agency for damages caused by the 2008 floods. The City also received \$1,917 from the State of Iowa's Public Assistance Program.

Hazard Mitigation Grant

In July 2009, the City of Oakland was awarded a \$169,870 grant from the Iowa Homeland Security and Emergency Management Division and the Federal Emergency Management Agency (FEMA) for the acquisition of property located in a flood plane area of the City. For the year ended June 30, 2010, the City received \$140,220 of the grant.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(15) Subsequent Events

Sanitary Sewer Improvements Contract

On August 16, 2010, the city awarded a \$256,944 contract to Neuvirth Construction of Blair, Nebraska for improvements to the City's sanitary sewer system.

Litigation

The City is subject to litigation seeking damages of approximately \$30,000 plus survey costs for a faulty warranty deed. The City has authorized payment of \$10,000 from the Iowa Communities Assurance Pool and payment of \$20,000 plus survey costs from City funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 275,271	\$ -0-
Tax increment financing	27,316	-0-
Other city tax	153,346	-0-
Licenses and permits	4,953	-0-
Use of money and permits	30,968	-0-
Intergovernmental	395,809	-0-
Charges for services	67,207	849,101
Miscellaneous	90,874	-0-
Total receipts	<u>1,045,744</u>	<u>849,101</u>
Disbursements:		
Public safety	153,822	-0-
Public works	272,310	-0-
Health and social services	-0-	-0-
Culture and recreation	195,613	-0-
Community and economic development	42,930	-0-
General government	242,537	-0-
Debt service	141,791	-0-
Capital projects	424,254	-0-
Business type	-0-	821,974
Total disbursements	<u>1,473,257</u>	<u>821,974</u>
Excess (deficiency) of receipts over (under) disbursements	(427,513)	27,127
Other financing sources, net	<u>22,850</u>	<u>(12,850)</u>
Excess (deficiency) of receipts and other financing sources	(404,663)	14,277
Balance beginning of year	<u>1,346,292</u>	<u>614,282</u>
Balance end of year	\$ <u>941,629</u>	\$ <u>628,559</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 275,271	\$ 269,454	\$ 269,454	\$ 5,817
27,316	24,012	24,012	3,304
153,346	178,305	178,305	(24,959)
4,953	3,675	3,675	1,278
30,968	19,000	19,000	11,968
395,809	156,500	156,500	239,309
916,308	913,378	1,077,224	(160,916)
90,874	16,200	30,600	60,274
<u>1,894,845</u>	<u>1,580,524</u>	<u>1,758,770</u>	<u>136,075</u>
153,822	167,186	193,391	39,569
272,310	283,700	271,207	(1,103)
-0-	6,800	-0-	-0-
195,613	131,540	184,212	(11,401)
42,930	63,843	102,643	59,713
242,537	102,955	113,197	(129,340)
141,791	42,243	88,543	(53,248)
424,254	75,000	519,886	95,632
821,974	692,222	795,977	(25,997)
<u>2,295,231</u>	<u>1,565,489</u>	<u>2,269,056</u>	<u>(26,175)</u>
(400,386)	15,035	(510,286)	109,900
10,000	-0-	141,000	(131,000)
(390,386)	15,035	(369,286)	(21,100)
<u>1,960,574</u>	<u>1,960,574</u>	<u>1,960,574</u>	<u>-0-</u>
\$ <u>1,570,188</u>	\$ <u>1,975,609</u>	\$ <u>1,591,288</u>	\$ <u>(21,100)</u>

CITY OF OAKLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$365,546 and disbursements by \$749,867. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, and business-type functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue	
	Local Option Tax	Hazard Mitigation
Receipts:		
Other city taxes	\$ 153,346	\$ -0-
Intergovernmental	-0-	140,220
Miscellaneous	-0-	1,347
Total receipts	153,346	141,567
Disbursements:		
Operations:		
General government	-0-	140,220
Debt service	-0-	-0-
Capital projects	-0-	-0-
Total disbursements	-0-	140,220
Excess (deficiency) of receipts over (under) disbursements	153,346	1,347
Other financing sources (uses):		
Operating transfers in	-0-	-0-
Operating transfers out	(153,346)	-0-
Net financing sources (uses)	(153,346)	-0-
Net change in cash balances	-0-	1,347
Cash balances beginning of year	-0-	-0-
Cash balances end year	\$ -0-	\$ 1,347
Cash Basis Fund Balances		
Unreserved:		
Special revenue	\$ -0-	\$ 1,347
Debt service	-0-	-0-
Capital projects	-0-	-0-
Total cash basis fund balances	\$ -0-	\$ 1,347

See Accompanying Independent Auditor's Report.

SCHEDULE 1

	Debt Service	Capital Projects		Total
		Eagle Monument	Annexation	
\$	-0-	\$ -0-	\$ -0-	\$ 153,346
	-0-	10,000	-0-	150,220
	-0-	3,375	-0-	4,722
	-0-	13,375	-0-	308,288
	-0-		-0-	140,220
	141,791		-0-	141,791
	-0-	56,386	1,886	58,272
	141,791	56,386	1,886	340,283
	(141,791)	(43,011)	(1,886)	(31,995)
	141,791	5,865	-0-	147,656
	-0-	-0-	-0-	(153,346)
	141,791	5,865	-0-	(5,690)
	-0-	(37,146)	(1,886)	(37,685)
	-0-	37,146	-0-	37,146
\$	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ (1,886)</u>	<u>\$ (539)</u>
\$	-0-	\$ 0-	\$ -0-	\$ 1,347
	-0-	-0-	-0-	-0-
	-0-	-0-	(1,886)	(1,886)
\$	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ (1,886)</u>	<u>\$ (539)</u>

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2010

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation capital notes:			
TIF - Street Project	Oct 1, 1999	4.7%	\$ 325,000
TIF- Economic Development	Nov 1, 2000	5.10 - 5.65%	\$ 90,000
Rescue Truck	Sep 19, 2007	4.95%	\$ 174,470
Ambulance	Apr 19, 2010	4.95%	\$ 150,259
Lime Sludge Lagoon Project	Sep 24, 2008	3.0%	\$ 187,000
Siren Lease	Apr 1, 2005	5.38%	\$ 15,156
Revenue bonds:			
Water	Nov 17, 1976	5.00%	\$ 700,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 40,000	\$ -0-	\$ 40,000	\$ -0-	\$ 2,120	\$ -0-
45,000	-0-	15,000	30,000	2,513	139
87,715	-0-	65,673	22,042	3,636	-0-
-0-	150,259	-0-	150,259	-0-	1,467
180,000	-0-	7,000	173,000	5,850	432
2,253	-0-	2,253	-0-	66	-0-
<u>\$ 354,968</u>	<u>\$ 150,259</u>	<u>\$ 129,926</u>	<u>\$ 375,301</u>	<u>\$ 14,185</u>	<u>\$ 2,038</u>
125,559	-0-	58,972	66,587	6,278	-0-
<u>\$ 125,559</u>	<u>\$ -0-</u>	<u>\$ 58,972</u>	<u>\$ 66,587</u>	<u>\$ 6,278</u>	<u>\$ -0-</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2010

General Obligation Notes

Year Ended June 30,	<u>Rescue Truck</u> <u>Issued September 19, 2007</u>		<u>Ambulance</u> <u>Issued April 19, 2010</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2011	4.95%	\$ -0-	4.95%	\$ 15,700	\$ 15,700
2012	4.95%	-0-	4.95%	16,487	16,487
2013	4.95%	22,042	4.95%	17,313	39,355
2014	--	-0-	4.95%	18,181	18,181
2015	--	-0-	4.95%	82,578	82,578
Total		\$ <u>22,042</u>		\$ <u>150,259</u>	\$ <u>172,301</u>

Urban Renewal Tax Increment Financing (TIF) Note

<u>Economic Development</u> <u>Issued November 1, 2000</u>			
Year Ended June 30,	Interest Rates	Amount	Total
2011	5.60%	\$ 15,000	\$ 15,000
2012	5.65%	<u>15,000</u>	<u>15,000</u>
Total		\$ <u>30,000</u>	\$ <u>30,000</u>

See Accompanying Independent Auditor's Report.

Drinking Water Program Revolving Loan Fund

Lime Sludge Lagoon
Issued September 24, 2008

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2011	3.00%	\$ 7,000	\$ 7,000
2012	3.00%	7,000	7,000
2013	3.00%	8,000	8,000
2014	3.00%	8,000	8,000
2015	3.00%	8,000	8,000
2016	3.00%	9,000	9,000
2017	3.00%	9,000	9,000
2018	3.00%	9,000	9,000
2019	3.00%	9,000	9,000
2020	3.00%	10,000	10,000
2021	3.00%	10,000	10,000
2022	3.00%	10,000	10,000
2023	3.00%	11,000	11,000
2024	3.00%	11,000	11,000
2025	3.00%	11,000	11,000
2026	3.00%	12,000	12,000
2027	3.00%	12,000	12,000
2028	3.00%	12,000	12,000
Total		\$ <u>173,000</u>	\$ <u>173,000</u>

Revenue Note

Water Revenue Note
Issued November 17, 1976

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2011	5.00%	\$ -0-	\$ -0-
2012	5.00%	-0-	-0-
2013	5.00%	-0-	-0-
2014	5.00%	-0-	-0-
2015	5.00%	26,587	26,587
2016	5.00%	<u>40,000</u>	<u>40,000</u>
Total		\$ <u>66,587</u>	\$ <u>66,587</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:			
Property taxes	\$ 275,271	\$ 206,896	\$ 203,171
Tax increment financing	27,316	218,833	203,412
Other city taxes	153,346	174,825	148,849
License and permits	4,953	6,353	5,801
Use of money and property	30,968	52,852	57,909
Intergovernmental	395,809	342,146	192,842
Charges for service	67,207	80,060	79,766
Miscellaneous	<u>90,874</u>	<u>211,952</u>	<u>104,406</u>
Total	\$ <u>1,045,744</u>	\$ <u>1,293,917</u>	\$ <u>996,156</u>
Disbursements:			
Operating:			
Public safety	\$ 153,822	\$ 170,153	\$ 219,763
Public works	272,310	403,838	330,027
Culture and recreation	195,613	132,345	137,908
Comm and economic dev	42,930	4,114	6,571
General government	242,537	85,324	141,302
Debt service	141,791	118,748	108,758
Capital projects	<u>424,254</u>	<u>5,848</u>	<u>-0-</u>
Total	\$ <u>1,473,257</u>	\$ <u>920,370</u>	\$ <u>944,329</u>

See accompanying independent auditor's report.

SCHEDULE 4

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 198,773	\$ 165,517	\$ 157,113
208,720	143,618	150,589
165,717	178,253	147,404
6,302	6,808	4,473
61,473	56,214	26,437
564,584	165,354	157,314
79,093	53,849	90,932
<u>93,853</u>	<u>146,678</u>	<u>222,388</u>
\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>

\$ 155,821	\$ 83,211	\$ 224,351
143,761	238,518	142,948
175,994	236,698	141,399
15,939	62,007	18,943
98,789	111,683	107,620
81,720	118,085	117,296
<u>834,590</u>	<u>55,853</u>	<u>128,233</u>
\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 18, 2010

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

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Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated August 18, 2010. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oakland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness and another deficiency I consider to be a significant deficiency.

Continued . . .

August 18, 2010
Page Two

To the Honorable Mayor and
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oakland's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .

August 18, 2010

Page Three

To the Honorable Mayor and
Members of the City Council

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City of Oakland's responses, I did not audit the City of Oakland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Musfeldt Associates, CPA, P.C.

CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-10 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

CITY OF OAKLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

II-B-10 Overstatement of Checking Balances

Comment - At June 30, 2010, the City had two erroneous outstanding deposits on its checking reconciliation that materially misstated the City checking account balance by \$38,793. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - Outstanding deposits on the checking reconciliation should be investigated for legitimacy monthly and not carried for seven months without investigation and resolution.

Response - Checking reconciliations will be performed more carefully in the future and any discrepancies investigated and resolved timely.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-10 Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service, and business-type functions. In addition, disbursements exceeded amount budgeted in the general government and capital projects functions before the budget was amended on May 10, 2010. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 684.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

CITY OF OAKLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

- III-B-10 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-10 Business Transactions - There were no business transactions between the City and City officials or employees for the year ended June 30, 2010.
- III-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-10 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- III-G-10 Revenue Notes - The City has complied with water revenue note resolutions.
- III-H-10 Deposits and Investments - It was noted that the City named its depository banks but lowered its maximum deposit amount from \$5 million to \$1 million by resolution in August 2009. At June 30, 2010, the City had deposits in excess of \$1 million in one bank.

Recommendation - I recommend that the maximum deposit amount be raised by resolution.

Comment - The maximum deposit amounts will be raised by a new resolution.

Conclusion - Response accepted.

CITY OF OAKLAND
OAKLAND, IOWA 51560

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$1,904,845 for the year ended June 30, 2010, a twenty-two percent decrease from the prior year. The receipts included \$275,271 from property tax, \$27,316 from tax incremental financing, \$935,593 from charges for services, \$228,757 from operating grants, contributions and restricted interest, \$221,890 from capital grants, contributions and restrict interest, \$153,346 from local option sales tax, \$18,220 from unrestricted investment earnings and \$44,452 in other general receipts.

Disbursements for the year totaled \$2,295,231, an eighteen percent increase from the prior year, and included \$424,254 for capital projects, \$272,310 for public works, and \$242,537 for general government. Also, disbursements for business-type activities totaled \$821,974.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

